



EnergyAction

# Energy Market Wrap

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Prepared by Trading & Pricing

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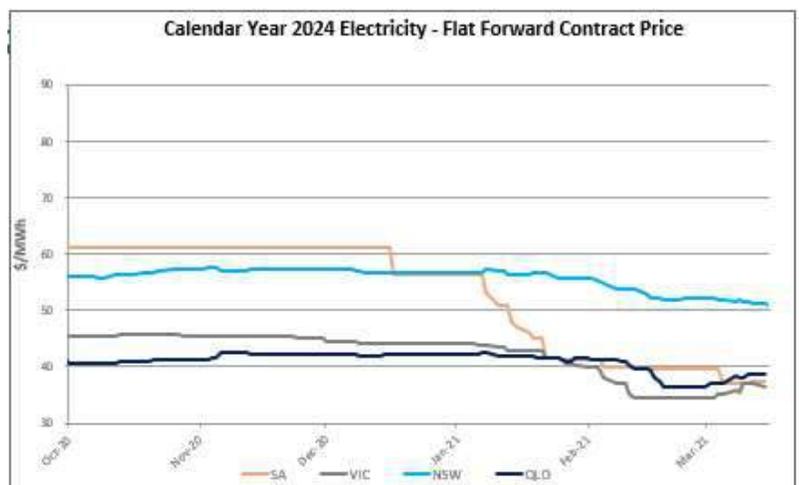
# Electricity Market Overview

A modest upward price movement continues across all NEM states for 2022 contract pricing, following the announcement earlier this month of Yallourn Power Station's early retirement. While this event will impact output in mid-2028, it signals there are significant implications for the generation sector to achieve commercial returns at current price levels.

2023 contracts are moving similarly to 2022, with the exception of South Australia. SA remains in down trend for both 2022 and 2023 contract years. In contrast to SA's contract pricing, spot prices rose by 220% during March. The average monthly spot price in SA is currently \$71.99/MWh (refer to pg. 4 for further details).

Concern remains over further rationalisation in the generation sector and the potential impact this might have on future contract pricing. All forward traded contracts across NEM states continue to show greater upward price pressure.

Our message to customers remains the same: explore forward contracting out to 2025. After the unexpected declines during February there is more evidence to suggest the electricity market has bottomed-out and will trend back towards \$45/MWh over the medium term.



# Electricity Spot Market

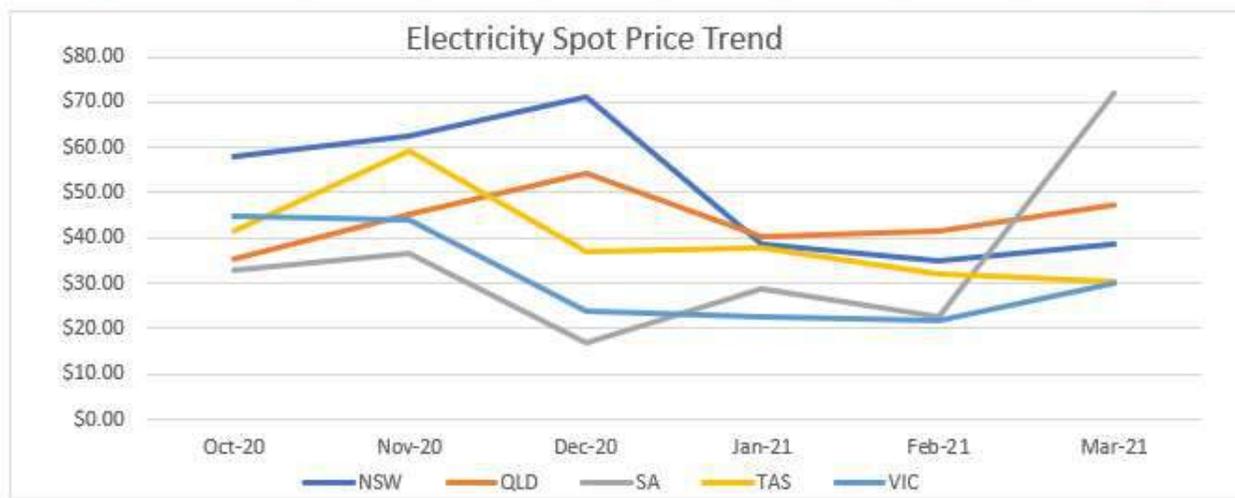
Month-to-date March spot prices have risen significantly in SA. Prices rose by 220% during March compared to February prices levels. This reflects both SA's reliance on VIC baseload for 'firming' and the generation sector's shift away from forward contracting. Spot prices across the rest of the NEM increased by varying degrees with VIC posting a 37% increase, while TAS prices was the only NEM state to show a decrease of 5%.

Renewable generation remains the key to longer-term influence over spot prices and the continuing risk of further rationalisation in the baseload generation sector. Although renewables have very low short-run marginal costs, their impact is felt through the effect on merit order dispatch, particularly baseload generation. At some stage in the future, renewable generation projects will need to recover their long-run marginal costs, associated with capital and returns to equity which will place greater upward pressure on prices.

We expect a continuation in average spot prices over the foreseeable future and expect SA spot prices to revert back to the longer-term trend. QLD prices continue to average higher than expected.

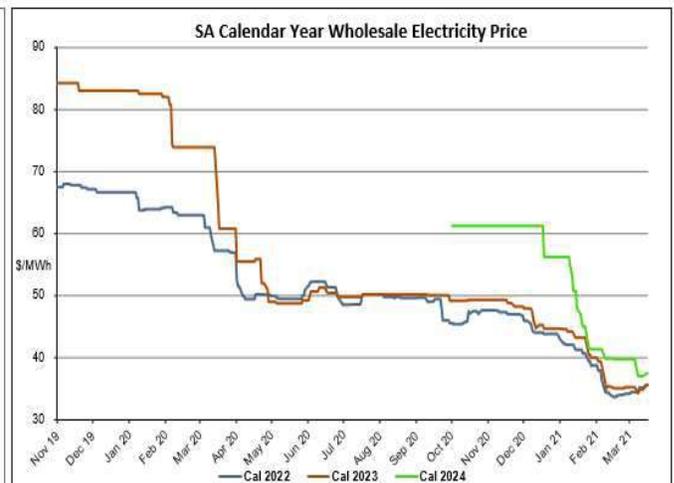
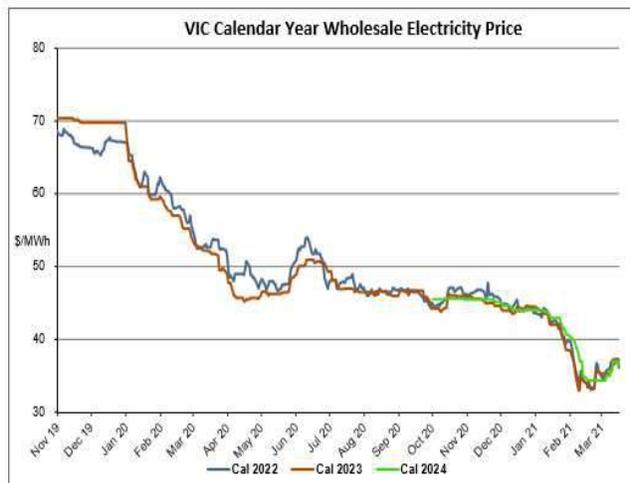
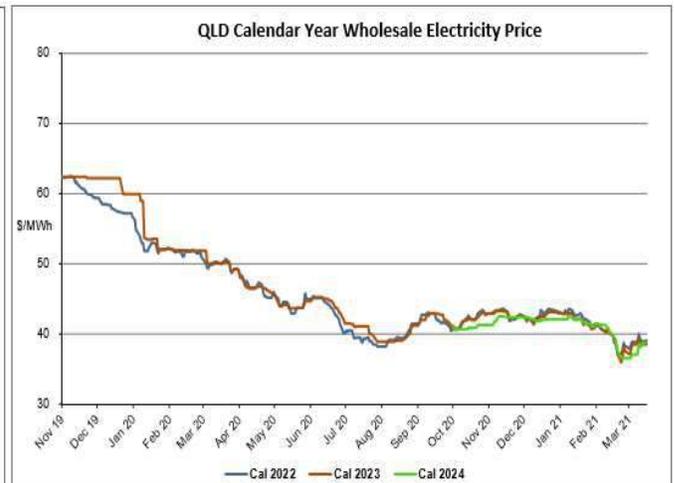
**Average Monthly Spot Prices (\$/MWh)**

Ave. Monthly Spot Price	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Current Month % Change
NSW	\$57.87	\$62.49	\$71.38	\$38.84	\$35.13	\$38.86	11%
QLD	\$35.22	\$45.35	\$54.46	\$40.35	\$41.69	\$47.28	13%
SA	\$32.97	\$36.72	\$16.78	\$28.70	\$22.49	\$71.99	220%
TAS	\$41.51	\$59.37	\$36.86	\$37.81	\$31.99	\$30.45	-5%
VIC	\$44.79	\$44.07	\$23.79	\$22.82	\$21.85	\$29.92	37%



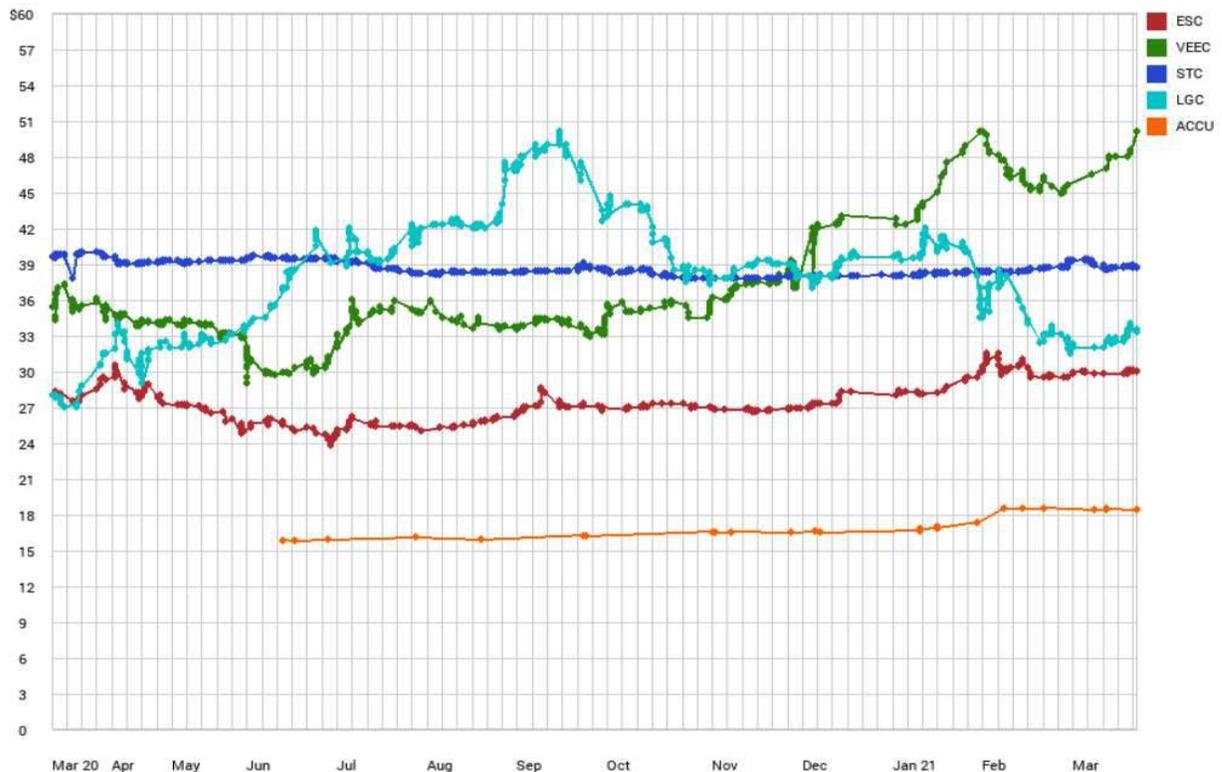
# Wholesale Electricity Pricing

Current price levels represent a key risk to the generation sector, along with the impact renewables are having on longer term price outcomes. We understand that renewables rely on ‘firming’ provided by large base-load power stations to provide consumers and industry with reliability of supply. We also expect the introduction of 5-minute dispatch will increase spot price volatility and produce greater upward price pressure. It remains to be seen whether the current price conditions are a short-term response to Covid-related decreases in system demand or a longer-term response to structural changes in the Australian Energy Market. Most signs point to an enduring structural change. At current pricing, we expect further rationalisation to place greater upward pressure on longer-term pricing.



## Environmental Certificate Prices

- LGC prices have flattened over the past few weeks and are currently trading around \$32.00 /certificate. We note that current price levels remain higher than would be the case for compliance demand. We continue to see the demand for LGC's influenced by corporate Net Zero strategies, with many corporates already acquiring LGC's to establish their Net Zero 2021 credentials.
- VEEC prices have returned to uptrend as demand for VEECs outstrips supply. Current pricing of \$50.00/certificate is just below the previous high of \$50.50/certificate. The next few weeks will determine if prices remain in uptrend.
- ESC prices remain reasonably stable at \$29.70 /certificate.
- STC prices are slightly higher at \$30.90/certificate.
- ACCU's (Australian Carbon Credits) are currently trading slightly lower, toward \$18.00 /certificate.



Source: Demand Manager: <https://www.demandmanager.com.au/certificate-prices/>

The forward price for LGCs remains unchanged with 2024 LGC's trading around \$10 /certificate.

Calendar year 2025 LGC's remain stable at \$6.80 / certificate, both out years remain at low traded volumes.

